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2-13-2015

SB 156

Honorable Chairman Bruce Tutvedt and Members of the Taxation Committee:

My name is Pat Cook, Retired Lake County Treasurer and currently County Support Specialist for Black Mountain Software.

When I was the Lake County Treasurer and am currently supporting our county treasurer clients, the distribution to the state for Centrally Assessed Protested Taxes is a very difficult and complicated process.

The County Treasurer is the trustee and keeper of the Protested taxes. The amount of money that is protested is placed in a trust fund and earns investment interest from the date of protest until the protest is resolved and the money is refunded to the company and any balance left is distributed to county, school and district funds.

What has complicated this process is the requirement that the county treasurer remit the money for the state funds which were protested. These funds include the state education mills.

Example: AT&T pays \$20 in taxes 11/30/14

Verizon pays \$20 in taxes 11/30/14

Both AT&T and Verizon pay \$10 under protest. It would make total sense the county treasurer would receipt \$20 for both companies into the trust fund, where it will earn investment interest until protest is resolved. This money does not and should not get spent.

The complication happens when the county treasurer must calculate how much money each of the 4 state education funds is protested. For this example we will say \$10 is the amount of the state funds protest for the 2 companies. The treasurer is required to remit that money to the DOR. This is further complicated because DOR requires the county treasurer to identify how much to each of the 4 funds comes from AT&T \$5 protest and how much comes from Verizon \$5 protest.

The county treasurer tax records must show the total amount of protest for AT&T which is \$10 and the total amount for Verizon which is \$10 which does not balance to the amount of protest money in the trust fund, because the state has taken their portion.

2nd complication - when the CA Protest is settled, out of the \$5 protest for Verizon, \$2.50 gets refunded to Verizon, the other \$2.50 gets distributed to county, school and districts. Would be pretty simple if county treasurer could take \$2.50 and distribute to all the levied funds, including state education but they have to figure out how much the state already got. The same for the refund to Verizon. Treasurer must calculate how much of the refund comes out of their trust fund but cannot include the state funds.

AT&T, refund of \$2.00 Same process. This has to be completed for each tax statement protested. The protest must be completely settled and zeroed out.

This is very difficult for the county treasurer to calculate and very difficult for the software vendor to try and accommodate. Pretty much impossible. It would be so much simpler to let the county treasurer be the steward of all the money and take care of all the refunds and distributions.

I respectfully request you support this bill!

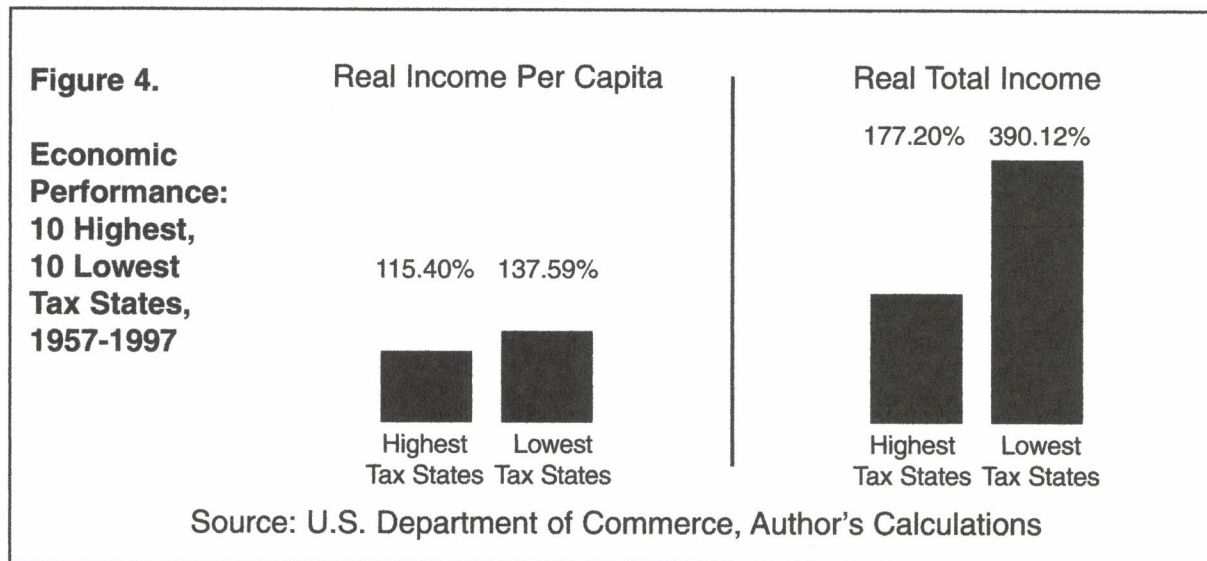
Pat Cook, Lake County Treasurer Retired

County Support Specialist, Black Mountain Software.

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states with respect to tax burdens, confining our analysis to states that clearly were at the extremes of the tax burden distribution.¹

Looking first (figure 4) at the entire period 1957 to 1997, per capita real income growth was substantially higher (138 vs. 115 percent) in the 10 states with the lowest increases in tax burden compared with the 10 states with the greatest increase. Using total real personal income growth, the already sizable differential explodes: while real personal income rose 390 percent in the states with the smallest tax increases, it rose less than half as much (177 percent) in the 10 states with the great increase in tax burden.



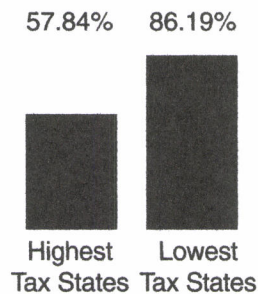
In figures 5 and 6, we looked at two 20 years time periods, 1957-77, and 1977-97. Turning to the earlier time period first (figure 5), again those 10 states with the smallest increase in tax burden had dramatically high real per capita growth (86 vs. 58 percent) compared with the 10 states with the largest increase in tax period. With respect to total real personal income growth, the same pattern holds, with the states increasing taxation the least growing faster (135 vs. 118 percent). Though the specific states in each categories changes, the conclusion does not as we move forward to 1977 to 1997 (Figure 6). Real per capita income growth is over 35 percent in the states increasing taxes the least (or, in this case, actually decreasing the tax burden), while such growth is under 32 percent in the states raising the tax burden the most. With regard to total personal income, the 10 states reducing their tax burden the most grew 72 percent, vs. 52 percent for those raising that burden the most.

¹ In these comparisons, we confined our analysis to the 48 contiguous states. Alaska and Hawaii were not states at the beginning of the period examined. Alaska has always been an outlier because of its enormous oil revenues, and it receives abnormally large federal payments as well.

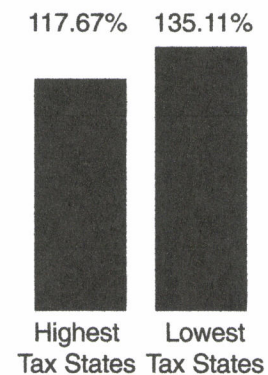
Figure 5.

**Economic
Performance:
10 Highest,
10 Lowest
Tax States,
1957-1977**

Real Income Per Capita



Real Total Income



Source: U.S. Department of Commerce, Author's Calculations

Summarizing, in Figures 3 through 6 we make a total of eight comparisons of high (or increasing) tax states compared with states with a relatively low (or declining) tax burden. In every single case, without exception, the results are consistent: high or rising taxes are associated with lower amounts of economic growth. The use of more sophisticated statistical models produces the same sort of result: higher taxes, lower growth.

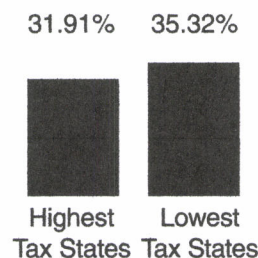
Incentives Impact Behavior

It might be useful to reflect a little more as to *why* this is so. This author does not believe that the people working in the public sector are inherently less efficient, less creative, less productive than their private sector counterparts. What is different about the two sectors, however, is that the private sector responds to the discipline of markets. When firms are inefficient, having high costs or selling a product that people do not want, prof-

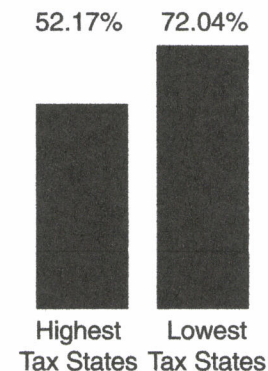
Figure 6.

**Economic
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